



Agenda Date: 9/12/07

Agenda Item: 3B

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

CABLE TELEVISION

IN THE MATTER OF THE PETITION OF)	ORDER OF APPROVAL
CABLEVISION SYSTEMS CORPORATION FOR A)	
DECLARATORY RULING OR, IN THE ALTERNATIVE,)	
FOR APPROVAL OF A PROPOSED INTRA-COMPANY)	
REORGANIZATION AND RELATED)	
AUTHORIZATION)	DOCKET NO. CM07060389

(SERVICE LIST ATTACHED)

BY THE BOARD

Cablevision Systems Corporation ("Cablevision" or "Petitioner") filed a petition with the Board of Public Utilities (the "Board") on June 20, 2007, seeking a declaratory ruling that a proposed reorganization of Petitioner and related financing transactions, as more fully described below, are not within the jurisdiction of the Board and therefore do not require Board approval. In the alternative, Cablevision sought Board approval for the proposed reorganization and related financing.¹

Cablevision, a Delaware corporation, is the fifth largest multiple system operator in the United States, serving, through its various subsidiaries and affiliates, approximately 3.1 million subscribers in New York, New Jersey and Connecticut. Cablevision owns indirectly the following New Jersey cable television companies, which are subject to the jurisdiction of the Office of Cable Television (OCTV) and the Board, pursuant to N.J.S.A. 48:5A-1 et seq.: CSC TKR, Inc. ("CSC TKR");² Cablevision of Monmouth, Inc.; Cablevision of Hudson County, Inc.; Cablevision of New Jersey, Inc.; Cablevision of Newark; Cablevision of Warwick, LLC; Cablevision of Paterson, LLC; Cablevision of Rockland/Ramapo, LLC, and Cablevision of Oakland, LLC (collectively the "CSC Cable Television Companies"). CSC TKR is a wholly-owned, direct subsidiary of CSC Holdings, Inc. ("CSC Holdings"), a Delaware corporation, which is a wholly-owned, direct subsidiary of Cablevision. The remaining CSC Cable Television Companies are wholly-owned, directly or indirectly, by CSC TKR.

¹Cablevision also filed a related petition with the Board requesting similar treatment for its proposed reorganization with respect to its telecommunications subsidiary, Cablevision-Lightpath-NJ, Inc., at Docket No. TM07060394.

²CSC TKR is a CATV Company pursuant to N.J.S.A. 48:5A-3, which provides cable television service through the listed subsidiaries and the following divisions: CSC TKR d/b/a Cablevision of Elizabeth; CSC TKR d/b/a Cablevision of Hamilton; CSC TKR d/b/a Cablevision of Morris, and CSC TKR d/b/a Cablevision of Raritan.

Cablevision is currently a publicly-traded company. Members of the Dolan family (the "Dolan Family"), as a result of their ownership of Class B shares, have the right to elect 75% of the directors of Cablevision, hold approximately 64% of the voting power, and approximately 20% of the outstanding shares of common stock of Cablevision. Pursuant to the terms of the Agreement and Plan of Merger (the "Agreement"), the Dolan Family will acquire all of the outstanding shares of common stock of Cablevision not already owned by them (the "Reorganization"). According to the Petition, the Reorganization will be achieved through a newly-formed entity, Central Park Holding Company, L.L.C., that will hold the Dolan Family's interest in Cablevision. After the Reorganization, the Dolan Family will be the sole owners of the surviving private company.

The total amount of funds necessary to consummate the Reorganization is approximately \$8.3 billion. In addition, approximately \$5 billion will be used to repay certain existing indebtedness of Cablevision and its subsidiaries. There are multiple components to the funding of the Reorganization. CSC Holdings will borrow \$1.0 billion under a Term Loan A Facility and \$4.75 billion under a Term Loan B Facility. In addition, CSC Holdings will enter into a \$500 million Delayed Draw Term Loan Facility, and a \$1.0 billion Revolving Credit Facility (the Term Loan A Facility, the Term Loan B Facility, the Delayed Draw Term Loan Facility and the Revolving Credit Facility are collectively referred to as the "CSC Senior Credit Facilities"). The CSC Senior Credit Facilities will bear interest either at LIBOR or an alternate base rate, in each case, plus an applicable margin. Additional financing in connection with the Reorganization and related transactions will be raised by other non-New Jersey subsidiaries of Cablevision.

None of the CSC Cable Television Companies will be a borrower under the CSC Senior Credit Facilities. The CSC Senior Credit Facilities will be guaranteed by certain direct and indirect subsidiaries of Cablevision (the "CSC Guarantors"). The CSC Guarantors will not include any of the CSC Cable Television Companies. The CSC Senior Credit Facilities will be secured, subject to agreed-upon exceptions, by a lien on the stock held by Cablevision in certain of its direct and indirect subsidiaries, the CSC Guarantors, including the stock of CSC TKR held by CSC Holdings, and on the capital stock of each direct subsidiary of Cablevision and the CSC Guarantors thereafter created or acquired. Cablevision has represented that there will be no lien on any of the stock held directly or indirectly by CSC TKR in its subsidiaries. Cablevision has also agreed that any pledge agreement shall provide that no action may be taken by a secured party to enforce any lien on the stock of CSC TKR or otherwise until all necessary government and regulatory approvals have been obtained. None of the CSC Cable Television Companies, including CSC TKR, will pledge or encumber any of its property, assets, franchises, privileges or rights.

The Petitioner has provided written responses to requests for additional information regarding the impact of the Reorganization on Cablevision's New Jersey cable television customers. Cablevision asserts that the Reorganization will not result in any change of the ownership, management or control of the CSC Cable Television Companies or affect their financial stability. In addition, the Petitioner provided information supporting the ability of Cablevision to continue to provide safe, adequate and proper service subsequent to the Reorganization.

COMMENTS

By letter dated July 27, 2007, the New Jersey Department of the Public Advocate, Division of Rate Counsel (Rate Counsel) submitted comments to be considered by the Board in connection

with the overall proposed intra-company reorganization.³ Rate Counsel suggests that the reorganization may have a negative impact on New Jersey cable subscribers because of the increased default risk inherent in the structure of the transaction. Rate Counsel recommends that certain conditions be imposed on Cablevision if the transaction is approved including a rate freeze on Cablevision's rates that are regulated by the Board, and a prohibition on the pass through of any transaction costs from this Reorganization. Rate Counsel also recommends that Cablevision should be required to provide the Board with reports to allow the Board to evaluate the financial integrity of Cablevision on a periodic basis to determine if the additional debt burden resulting from the transaction is jeopardizing the provision of service to New Jersey customers.

By letter dated August 6, 2007, Cablevision submitted a reply to Rate Counsel's comments, and stated that the proposed reporting requirements are unnecessary because the information will remain publicly available after the Reorganization. Cablevision states it has provided the Board with ample information upon which it can evaluate the company's financial integrity under the Reorganization, and requiring additional financial information would be duplicative and unnecessary. In addition, Cablevision states that the proposed rate freeze is improper under Federal Law.

DISCUSSION

Petitioner requested that the Board issue a declaratory ruling that its approval is not required with respect to the proposed transactions stating that neither N.J.S.A. 48:5A-38, nor 48:5A-40 apply to the proposed transactions because the Reorganization occurs at holding company levels and does not affect the CSC Cable Television Companies or their immediate parents. However, CSC Holdings fits within the definition of a CATV company under N.J.S.A. 48:5A-3, and it is CSC Holdings, which is pledging the stock of CSC TKR, which is undisputedly a CATV company. Viewed from that perspective, any pledge of the stock of CSC TKR would be subject to Board approval under N.J.S.A. 48:5A-40. In any event, the Board believes that it may review holding company transactions to determine the impact of such transactions on cable television service in New Jersey. In 1991, the Board determined that its jurisdictional statutory authority allowed it to "exercise jurisdiction not only over the bottom corporate tier of the chain, . . . but to any entity which owns, controls, manages or operates that entity." In the Matter of the Proposed Corporate Restructuring of Certain Affiliates of Tele-Communications, Inc. at 6, BPU Docket No. CM90121496 (February 7, 1991) (hereinafter "TCI"). In reaching this conclusion, the Board noted that the focus of its concern was not to micro-manage the non-jurisdictional affairs of the holding company, but to review the proposed holding company transaction to guard against any adverse impact on the New Jersey cable television systems, and their ability to provide safe, adequate and proper service.

As asserted by Cablevision in its Petition, the Reorganization will have no impact on the control, ownership, policies and management of the CSC Cable Television Companies. The conversion of its parent company, Cablevision, from a publicly traded company to a privately-held company will not result in a material change in ownership or management since Cablevision will still remain under the control of the Dolan Family. The entities that currently hold the Certificates of Approval to provide cable television service in New Jersey will not change. The Petitioner has

³ Although the July 27, 2007 submission was filed under the docketed matter related to Cablevision's telecommunications subsidiary, Cablevision Lightpath-NJ (Docket No. TM07060394), the specific comments and recommendations contained therein pertain to this docket and the merits of the specific recommendations will be discussed herein.

no plans to make changes in the operation, maintenance or management of its businesses as a result of the transaction. In addition, Cablevision maintains that New Jersey cable customers will benefit from the transaction. As a private company, Cablevision expects to provide greater value to its customers by focusing its business strategy on the long-term without the pressure to satisfy quarterly forecasts established by analysts. As competition continues to increase, Cablevision asserts it will make necessary changes to its products, services and operations to compete more effectively in the market and provide better services.

The Board HEREBY CONCLUDES that, in accordance with its decision in TCI and applicable statutory authority, the Board has the jurisdiction to review the proposed transaction to determine its impact on the New Jersey operating entities and their subscribers. After review, the Board FINDS that the immediate ownership, operation, policies and management of the New Jersey cable systems involved in this transaction will not be adversely affected by the transaction and that there is no expected harm to New Jersey cable subscribers. Furthermore, there appears to be nothing in the restructuring proposal that would cause the Board to question the commitment of Cablevision to continue to provide safe, adequate and proper service.

With respect to Rate Counsel's concerns regarding the impact of the transaction on the financial integrity of Cablevision, and possible impact on the CSC Cable Television Companies in New Jersey, the Board shares these concerns given that Cablevision's bond ratings are below investment grade. A possible downgrade would put the Petitioner's ratings further below investment grade.

Nevertheless, the Board notes that Cablevision's current long-term plans indicate that the company expects to generate free cash flow in future years. In addition, Cablevision asserts that sufficient flexibility has been built into the financing structure, as evidenced by the credit facilities including revolving credit, for the company to meet its obligations without affecting its operating needs. As a result, management does not believe that the financial integrity of Cablevision will be affected. The debt generated by this Reorganization will be held by sophisticated institutional investors who accept such risk in return for a higher reward.

Despite the potential for a rating downgrade, the Standard & Poor's notes that "the Company's favorable business profile includes very attractive demographics, healthy broadband penetration, and good market acceptance of its telephone service."⁴ Similarly, "Moody's considers its cable systems highly salable."⁵ In addition, the Board notes that any transfer of assets or stock of CSC TKR related to a default on the debt would require further Board approval in accordance with N.J.S.A. 48:5A-1 et. seq. where applicable.

Moreover, the Board is not persuaded that additional reporting is required in this instance, since the information requested will remain public as required for Cablevision to comply with regulations related to its publicly traded debt. Additionally, the transaction does not in anyway diminish the Board's current authority over Cablevision's basic service and equipment and installation rates, as prescribed by Federal law. Rate Counsel will have an opportunity to be heard when any issues regarding rates are ripe for review. The Board, therefore, REJECTS Rate Counsel's recommendations for a rate freeze and for additional reporting requirements.

⁴ See Ratings Direct, Cablevisions Systems Corporation at 1. (McGraw-Hill Companies, Inc.)(January 19, 2007).

⁵ See Moody's Investors Service, Global Credit Research at 1 (January 25, 2007).

Therefore, the proposed Reorganization as described by Cablevision in its above-referenced petition and its related financing are HEREBY APPROVED and may proceed without further Board review and action, subject to the conditions below:


- 1) This Order shall not affect or in any way limit the exercise of the authority of the Board or the Office of Cable Television or the State of New Jersey in any future petition or in any proceeding regarding rates, cost of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioners.
- 2) This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of tangible or intangible assets now owned or hereinafter to be owned by Petitioners.
- 3) This Order shall not be construed as superseding pending rate proceedings involving the Petitioners.
- 4) The Petitioners shall notify the Board, in writing, within ten (10) days of the date on which each of the Transactions is consummated.
- 5) Consummation of the above referenced transactions must take place no later than one hundred eighty (180) days from the date of this Order, unless otherwise extended by the Board.
- 6) Petitioners shall file a Certification with the Board within thirty (30) days of the closing attesting to the lack of material deviation in the executed closing documents or final terms from those terms and conditions described herein and /or submitted to the Board with the Petition. Any such material deviation with respect to the treatment of the stock or assets of CSC TKR in the executed closing documents shall render this Order voidable by the Board.
- 7) Petitioners shall file journal entries with the Board to record the transactions approved herein within thirty (30) days of final closing.
- 8) Approval of the Reorganization and the Related Authorizations approved herein shall not constitute automatic approval of any business contract referenced in the Agreement or supporting documents, if Board approval, pursuant to N.J.S.A 48:5A-1 et seq. would otherwise be required.
- 9) As asserted by Cablevision, no CSC Cable Television Company will pledge or encumber any of its property, assets, franchises, privileges or rights under this Reorganization. No action may be taken by a secured party to enforce any lien on the stock of CSC TKR until all necessary Board approvals have been obtained. Any documentation of the pledge of the stock of CSC TKR shall note this requirement.
- 10) Cablevision shall provide, within thirty (30) days of the date of closing the "Solvency Opinion" pursuant to Section 5.09 of the Agreement.

- 11) Cablevision shall provide, within thirty (30) days of receipt, the credit agreement, term sheet and all related exhibits, schedules and loan documents pertaining to and resulting from the requirements necessary to fulfill the conditions of the Senior Credit Facilities commitment.
- 12) Cablevision shall provide copies of the corporate resolutions of the stockholders, members or other authorizing person(s) of each of the corporation, Limited Liability company or other entity authorizing the transaction pursuant to N.J.A.C. 14:17-6.18(a) (2) within ten (10) days of such authorization.
- 13) Cablevision shall provide a Loan Disbursement Authorization thirty (30) days from the date of closing.

All parties to the Reorganization must comply with the New Jersey Cable Television Act and applicable sections of the New Jersey Administrative Code.

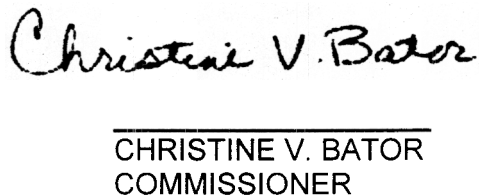
DATED: 9/13/07

BOARD OF PUBLIC UTILITIES
BY:

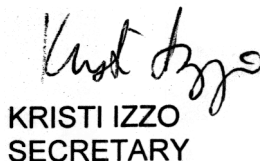

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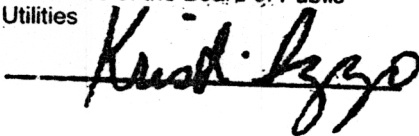

JOSEPH L. FIORDALISO
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CHRISTINE V. BATOR
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ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



SERVICE LIST

I/M/O Petition of Cablevision Systems Corporation for a Declaratory Approval or in the Alternative for approval of an Intra-Company Reorganization and Related Authorizations

Docket No. CM07060389

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